

**SOUTHEAST LOUISIANA FLOOD
PROTECTION AUTHORITY – EAST**

**Combined Financial Statements as of June 30, 2012
and for the Year Then Ended
and Independent Auditors' Report
and Supplemental Information**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 05 2012

**SOUTHEAST LOUISIANA FLOOD
PROTECTION AUTHORITY – EAST**

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Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Southeast Louisiana Flood Protection Authority – East
New Orleans, Louisiana

We have audited the accompanying combined financial statements of the governmental activities, business-type activities, and major funds of the Southeast Louisiana Flood Protection Authority – East, and the Orleans, East Jefferson, and Lake Borgne Basin Levee Districts (collectively the Authority), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and major funds of the Authority, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Southeast Louisiana Flood Protection Authority – East. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 as well as the Annual Fiscal Report required by the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy are presented for purposes of additional analysis, and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Silva Gurtner & Albney, LLC

September 20, 2012

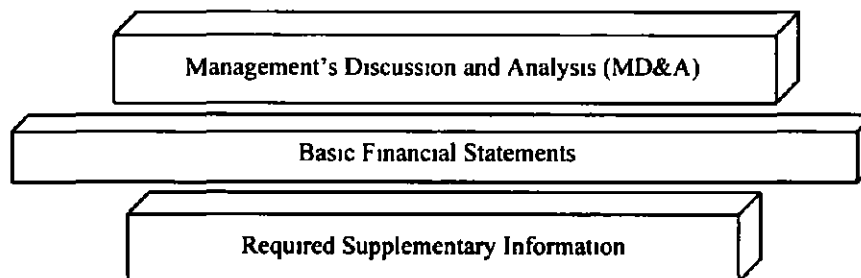
**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

The Management’s Discussion and Analysis of the Southeast Louisiana Flood Protection Authority – East (the Authority) presents a narrative overview and analysis of the Authority’s financial results for the year ended June 30, 2012. This document focuses on the current year’s activities, resulting changes, and currently known facts relating to the four (4) organizations that currently comprise the whole of the Authority:

- The administrative arm of the Authority
- The East Jefferson Levee District (the EJLD)
- The Lake Borgne Basin Levee District (the LBBLD)
- The Orleans Levee District (the OLD)

Overview of the Financial Statements

The following graphic illustrates the minimum requirements for special purpose governments engaged in business-type activities established by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*:



These financial statements consist of three sections – Management’s Discussion and Analysis (this section), the Basic Financial Statements (including the notes to combined financial statements), and Required Supplemental Information.

Basic Financial Statements

The basic financial statements present information for the combined operations of the Authority and the three levee districts which it governs, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Activities, and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority’s net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34 for business-type activities.

Financial Highlights

Net Assets

The following table describes the net assets of the Authority at the end of the current and prior fiscal years.

(In Thousands)	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 122,963	\$ 103,747	\$ 11,449	\$ 11,796	\$ 134,412	\$ 115,543
Capital assets	133,644	137,929	89,574	78,230	223,218	216,159
Total assets	<u>256,607</u>	<u>241,676</u>	<u>101,023</u>	<u>90,026</u>	<u>357,630</u>	<u>331,702</u>
Current liabilities	13,116	6,610	762	268	13,878	6,878
Noncurrent liabilities	53,693	61,220	1,258	1,292	54,951	62,512
Total liabilities	<u>66,809</u>	<u>67,830</u>	<u>2,020</u>	<u>1,560</u>	<u>68,829</u>	<u>69,390</u>
Net assets						
Invested in capital assets, net of debt	133,644	137,929	89,574	78,230	223,218	216,159
Restricted	2,844	1,464	-	-	2,844	1,464
Unrestricted	53,310	34,453	9,429	10,236	62,739	44,689
Total net assets	<u>\$ 189,798</u>	<u>\$ 173,846</u>	<u>\$ 99,003</u>	<u>\$ 88,466</u>	<u>\$ 288,801</u>	<u>\$ 262,312</u>

- Assets of the Authority exceeded its liabilities at the close of fiscal year 2012 by \$288.8 million compared with net assets a year earlier of \$262.3 million, a 10.5% favorable change and \$26.5 million increase.
- Of the \$26.5 million increase in net assets, significant contributors included income from the Orleans Levee District's Special Levee Improvement Fund due to higher tax collection rates and delays in a major project start-up and lower debt service costs. The Orleans Levee District's General Fund also received higher than expected tax revenues and a one-time intergovernmental revenue related to the compromise and settlement agreement with Algiers Levee District. Both funds benefited from a \$2.6 million increase in ad valorem taxes collected, reflecting a better than usual collection ratio during the fiscal year. The business-type operations of the Orleans Levee District contributed \$10.3 million in net asset increases.

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

Changes in Net Assets

The following table describes the changes in net assets of the Authority during the current and prior fiscal years

(In Thousands)	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Operating revenues	\$ 650	\$ 519	\$ 4,601	\$ 4,048	\$ 5,251	\$ 4,567
Operating expenses	<u>(43,170)</u>	<u>(35,515)</u>	<u>(7,853)</u>	<u>(7,019)</u>	<u>(51,023)</u>	<u>(42,534)</u>
Operating loss	(42,520)	(34,996)	(3,252)	(2,971)	(45,772)	(37,967)
Non-operating revenues (expenses)	45,798	46,950	(133)	-	45,665	46,950
Federal and state grants	12,959	5,854	13,632	1,514	26,591	7,368
Insurance	<u>-</u>	<u>-</u>	<u>5</u>	<u>2,279</u>	<u>5</u>	<u>2,279</u>
Increase in net assets	<u>\$ 16,237</u>	<u>\$ 17,808</u>	<u>\$ 10,252</u>	<u>\$ 822</u>	<u>\$ 26,489</u>	<u>\$ 18,630</u>

- Federal and state grants increased related to Federal Emergency Management Agency (FEMA) projects for East Jefferson Levee District and Lakefront Airport
- Ad valorem tax revenue increased in OLD General Fund and OLD SLIP Fund by approximately \$2 6 million due to higher collection ratios
- Federal grants for OLD declined \$6 5 million because in the prior year, FEMA forgave a portion of a loan made to OLD, which is a non-recurring transaction

Capital Assets

The following table lists the capital assets, net of depreciation of the Authority at the end of the current and prior fiscal years

(In Thousands)	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 14,048	\$ 14,048	\$ 22,055	\$ 22,055	\$ 36,103	\$ 36,103
Buildings and improvements	12,515	10,494	48,796	46,744	61,311	57,238
Moveable property	3,184	2,918	87	83	3,271	3,001
Infrastructure	97,494	101,955	148	167	97,642	102,122
Construction in progress	<u>6,403</u>	<u>8,513</u>	<u>18,488</u>	<u>9,181</u>	<u>24,891</u>	<u>17,694</u>
Total	<u>\$ 133,644</u>	<u>\$ 137,928</u>	<u>\$ 89,574</u>	<u>\$ 78,230</u>	<u>\$ 223,218</u>	<u>\$ 216,158</u>

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

Net investment in capital assets increased \$7.0 million in fiscal 2012 mainly due to the construction in progress related to the Lakefront Airport.

Long-Term Obligations

The following table lists long-term obligations, including the amount of bonds and notes due within one year.

(In Thousands)	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$ -	\$ 3,101	\$ -	\$ -	\$ -	\$ 3,101
Notes payable	26,126	26,126	-	-	26,126	26,126
Judgments and legal claims payable	22,595	25,614	-	-	22,595	25,614
Post-employment benefit liability	8,017	6,587	456	668	8,473	7,255
Accrued compensated absences	963	820	112	126	1,075	946
Total	\$ 57,701	\$ 62,248	\$ 568	\$ 794	\$ 58,269	\$ 63,042

- At the end of the current fiscal year, long-term obligations amounted to \$58.3 million, compared with \$63.0 million in the prior year. Along with bonds and notes payable, these obligations included judgments and claims payable, and post-employment benefit liability. Judgments and legal claims payable were reduced by an OLD settlement payment made in the current fiscal year.
- During the year, the bonds held by OLD were retired related to the Settlement and Compromise Agreement (See Note K for details).
- Post-employment benefit liability represents a current recognition of future benefit obligations for which that the Authority is responsible.

Variations between Budgeted and Actual Results

Revenues

The LBBLD's original budget was \$6.9 million in revenues and the revised budget was \$3.5 million. Actual results yielded an increase of \$0.2 million to \$3.7 million mainly due to the increase in governmental revenues. The OLD's original budget was \$17.0 million in revenues and the amended budget was \$19.4 million. Actual results yielded an increase of \$0.2 million to \$18.9 million mainly due to higher collection rates for ad valorem taxes. The EJLD's original budget was \$8.6 million while the amended budget had revenues of \$18.2 million with the majority of the variance due to the increase in intergovernmental revenues. Actual results yielded an increase of \$1.8 million to \$20.0 million. The Authority General Fund's original budget called for a total of \$1.6 million with no amendments to change the original budget. The actual revenues were \$1.3 million reflecting lesser grant related spending than anticipated.

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

Expenditures

The LBBLD’s original budget was \$10.4 million in expenditures while the amended budget was \$4.5 million. The actual results yielded amounts comparable to the amended budget with a change of \$0.2 million. The EJLD’s original budget was \$6.2 million while the amended budget had expenditures of \$6.4 million with the majority of the variance due to materials and supplies. Actual results yielded a favorable variance of \$0.6 million due to lower personnel expenses. The Authority’s original budget called for a total of \$1.6 million with no amendments to change the original budget and the actual expenditures were \$1.4 million. The OLD’s original budget was \$14.8 million while the amended budget was increased to \$15.3 million mainly to an increase in professional services. Actual results yielded \$14.1 million with the majority of the variance due to a decrease in contractual and professional services. Combined variances in the final budget amounts and actual results are shown in the combined statement of revenues, expenditures, and changes in fund balances – budget and actual – general funds on Schedule 1 of this report.

The budget of the OLD was amended on July 21, 2011 and June 21, 2012. The LBBLD’s amended budget was adopted on May 17, 2012. The EJLD’s amended budget was adopted on March 15, 2012.

The OLD’s budget had operating expenses of \$12.8 million and debt service of \$7.2 million. Nearly \$4.0 million of a FEMA loan was repaid at the end of fiscal year ending 2011, therefore, expected debt service was reduced accordingly. The income and expenses were adjusted for the agreement between the OLD and Algiers Levee District, including the early call of the OLD’s remaining bonds outstanding. Also recognized was an unanticipated \$2.8 million lawsuit was settled and lower personnel costs due to delayed hiring. The OLD’s General Fund reported operating expenses of \$12.2 million and debt service of \$0.9 million.

Economic Factors and Next Year’s Budgets and Rates

The Authority’s appointed officials considered the following factors and indicators when setting next year’s budget, rates, and fees:

- Continued depressed economy
- Changes in organization processes
- Necessary major maintenance and project expenditures
- Increased maintenance of completed U.S. Army Corps of Engineers projects
- Need for additional personnel and higher operating costs due to the additional responsibilities vested in the Authority

Contacting the Authority’s Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Southeast Louisiana Flood Protection Authority – East’s finances and to show the Authority’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at CERM Building, Suite 422, 2045 Lakeshore Drive, New Orleans, Louisiana 70122.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Statement A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 112,593,492	\$ -	\$ 112,593,492
Investments	5,535,949	-	5,535,949
Receivables	867,417	225,317	1,092,734
Due from other funds, net	(3,626,486)	3,626,486	-
Due from other governments	3,730,072	7,515,814	11,245,886
Inventory	504,276	-	504,276
Other assets	513,798	81,459	595,257
Restricted investments	2,844,462	-	2,844,462
Total current assets	<u>122,962,980</u>	<u>11,449,076</u>	<u>134,412,056</u>
NONCURRENT ASSETS			
Capital assets			
Land	14,048,432	22,054,735	36,103,167
Other capital assets, net of depreciation	119,595,031	67,519,636	187,114,667
Total noncurrent assets	<u>133,643,463</u>	<u>89,574,371</u>	<u>223,217,834</u>
TOTAL ASSETS	<u>\$ 256,606,443</u>	<u>\$ 101,023,447</u>	<u>\$ 357,629,890</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 4,876,392	\$ 54,115	\$ 4,930,507
Contracts payable	496,516	661,726	1,158,242
Deferred revenues	219,194	-	219,194
Accrued compensated absences	135,179	36,464	171,643
Accrued interest payable	1,184,902	-	1,184,902
Due to other agencies	2,330,545	-	2,330,545
Other liabilities	-	9,515	9,515
Note payable	1,243,901	-	1,243,901
Judgment and legal claims payable	2,628,829	-	2,628,829
Total current liabilities	<u>13,115,458</u>	<u>761,820</u>	<u>13,877,278</u>
Noncurrent liabilities			
Deferred revenues	-	726,532	726,532
Accrued compensated absences	827,945	74,967	902,912
Long-term note payable	24,881,770	-	24,881,770
Judgment and legal claims payable	19,966,560	-	19,966,560
Post-employment benefit liability	8,016,958	456,468	8,473,426
Total noncurrent liabilities	<u>53,693,233</u>	<u>1,257,967</u>	<u>54,951,200</u>
TOTAL LIABILITIES	<u>66,808,691</u>	<u>2,019,787</u>	<u>68,828,478</u>
NET ASSETS			
Invested in capital assets, net of related debt	133,643,463	89,574,371	223,217,834
Restricted for			
Debt services	2,052,373	-	2,052,373
Other reservations	792,089	-	792,089
Unrestricted	<u>53,309,827</u>	<u>9,429,289</u>	<u>62,739,116</u>
TOTAL NET ASSETS	<u>\$ 189,797,752</u>	<u>\$ 99,003,660</u>	<u>\$ 288,801,412</u>

See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Statement B

	Program Revenues				Net (Expense) Revenue and Changes in Net Asset		Total
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/ Programs							
Governmental activities							
Flood and drainage protection	\$ 41,946,311	\$ 650,445	\$ 2,804,983	\$ 3,539,748	\$ (34,951,135)	\$ -	\$ (34,951,135)
Interest	1,223,466	-	-	-	(1,223,466)	-	(1,223,466)
Total governmental activities	43,169,777	650,445	2,804,983	3,539,748	(36,174,601)	-	(36,174,601)
Business-type activities							
Airport	4,460,636	1,789,678	-	13,539,647	-	10,868,689	10,868,689
Marinas	3,104,508	1,868,210	-	89,786	-	(1,146,512)	(1,146,512)
Other real estate	288,008	942,797	-	2,854	-	657,643	657,643
Total business-type activities	7,853,152	4,600,685	-	13,632,287	-	10,379,820	10,379,820
Total	\$ 51,022,929	\$ 5,251,130	\$ 2,804,983	\$ 17,172,035	(36,174,601)	10,379,820	(25,794,781)
General revenues and expenses							
Property taxes					41,278,339	-	41,278,339
Unrestricted intergovernmental revenues					9,419,321	-	9,419,321
Unrestricted investment earnings					166,257	-	166,257
Miscellaneous income					1,440,679	159,043	1,599,722
Insurance proceeds					-	5,086	5,086
Amortization of bond issuance cost					(18,544)	-	(18,544)
Loss on disposal of assets					-	(291,927)	(291,927)
Other income (expenses)					126,074	-	126,074
Total general revenues and expenses					52,412,126	(127,798)	52,284,328
Change in net assets before transfers					16,237,525	10,252,022	26,489,547
Transfers					(285,850)	285,850	-
Change in net assets after transfers					15,951,675	10,537,872	26,489,547
Net assets – Beginning of year					173,846,077	88,465,788	262,311,865
Net assets – End of year					<u>\$ 189,797,752</u>	<u>\$ 99,003,660</u>	<u>\$ 288,801,412</u>

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

Statement C

	Authority General Fund	OLD General Fund	EJLD General Fund	LBBLD General Fund	OLD Real Estate Fund	OLD Debt Service Fund	OLD General Improvement Fund	OLD Slip Fund	LBBLD Capital Project Fund	Total Governmental Funds
Assets										
Cash and cash equivalents	\$ 243,955	\$ 22,602,027	\$ 25,102,522	\$ 5,465,904	\$ 8,312,970	\$ -	\$ -	\$ 50,354,728	\$ 511,386	\$ 112,593,492
Investments	-	-	5,535,949	-	-	-	-	-	-	5,535,949
Receivables	-	446,792	21,349	20,667	5,814	-	-	372,795	-	867,417
Due from other funds	-	10,945,654	-	2,270	10,824,589	-	303,227	86,177	-	22,161,917
Due from other governments	61,988	9,857	3,221,937	40,823	209,779	-	183,419	-	-	3,727,803
Inventory	-	262,406	-	241,870	-	-	-	-	-	504,276
Restricted investments	-	1,551,467	-	-	-	-	-	1,292,995	-	2,844,462
Other assets	53,338	379,703	68,150	4,181	8,426	-	-	-	-	513,798
Total assets	359,281	36,197,906	33,949,907	5,775,715	19,361,578	-	486,646	52,106,695	511,386	148,749,114
Liabilities										
Accounts payable	39,600	732,700	257,318	151,192	3,695,146	-	-	436	-	4,876,392
Contracts payable	-	-	-	-	-	-	8,189	488,327	-	496,516
Due to other agencies	-	37,949	2,192,000	68,987	-	-	31,609	-	-	2,330,545
Deferred revenues - current	-	35,775	1,515,842	-	-	-	183,419	-	-	1,735,036
Due to other funds	-	4,027,039	-	-	19,565,070	-	2,194,024	-	-	25,786,133
Total liabilities	39,600	4,833,463	3,965,160	220,179	23,260,216	-	2,417,241	488,763	-	35,224,622
Fund Balance										
Nonspendable										
Prepaid items	53,338	379,703	68,150	4,181	8,426	-	-	-	-	513,798
Inventory	-	262,406	-	241,870	-	-	-	-	-	504,276
Due to (from) other funds	-	6,880,666	(2,192,000)	(66,717)	(8,740,481)	-	(1,930,595)	86,177	-	(5,962,950)
Restricted										
Settlement payments	-	792,089	-	-	-	-	-	-	-	792,089
Debt service	-	759,378	-	-	-	-	-	1,292,995	-	2,052,373
Committed										
Hurricanes	-	100,000	-	-	-	-	-	-	-	100,000
HVAC	-	35,210	-	-	-	-	-	-	-	35,210
Workers' compensation	-	100,000	-	-	-	-	-	-	-	100,000
Capital assets	-	156,356	-	-	-	-	-	-	511,386	667,742
Assigned	-	-	-	-	4,833,417	-	-	50,238,760	-	55,072,177
Unassigned	266,343	21,898,635	32,108,597	5,376,202	-	-	-	-	-	59,649,777
Total fund balance	319,681	31,364,443	29,984,747	5,555,536	(3,898,638)	-	(1,930,595)	51,617,932	511,386	113,524,492
Total liability and fund balance	\$ 359,281	\$ 36,197,906	\$ 33,949,907	\$ 5,775,715	\$ 19,361,578	\$ -	\$ 486,646	\$ 52,106,695	\$ 511,386	\$ 148,749,114

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
RECONCILIATION – GOVERNMENTAL FUNDS OF THE
COMBINED BALANCE SHEET TO THE COMBINED STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Total governmental fund balances (Statement C)	\$ 113,524,492
Amounts reported for governmental activities in the Combined Statement of Net Assets are different because	
Capital uses in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$92,706,334	133,643,463
Other noncurrent assets are not available to pay for current expenditures and, therefore, are deferred in the funds	1,515,841
Liabilities that are not due and payable within 60 days of year-end and, therefore, and not reported in the funds	
Accrued compensated absences	(963,124)
Long-term note payable	(26,125,671)
Accrued interest payable	(1,184,902)
Judgments and claims payable	(22,595,389)
Post-employment benefit liability	<u>(8,016,958)</u>
Net assets of governmental activities (Statement A)	<u><u>\$ 189,797,752</u></u>

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Statement D

	Authority General Fund	OLD General Fund	EJLD General Fund	LBBLD General Fund	OLD Real Estate Fund	OLD Debt Service Fund	OLD General Improvement Fund	OLD SLIP Fund	LBBLD Capital Projects Fund	Total Governmental Funds
Revenues										
Taxes	\$ -	\$ 15,600,241	\$ 8,704,153	\$ 3,258,419	\$ -	\$ -	\$ -	\$ 13,715,526	\$ -	\$ 41,278,339
Intergovernmental	500,000	2,294,983	9,408,650	435,435	3,361	-	1,332,189	2,214,198	-	16,188,816
Interest earnings	126	26,063	59,942	12,434	11,425	-	-	54,990	1,277	166,257
Royalties, leases, and permits	-	645,494	-	-	4,951	-	-	-	-	650,445
Other	826,732	305,852	343,267	25,812	65,090	-	-	-	-	1,566,753
Total revenues	1,326,858	18,872,633	18,516,012	3,732,100	84,827	-	1,332,189	15,984,714	1,277	59,850,610
Expenditures										
Flood and drain protection	1,383,970	12,253,656	14,606,408	4,246,862	1,895,806	-	115,475	106,454	-	34,608,631
Debt service	-	-	-	-	-	3,120,000	-	-	-	3,120,000
Interest	-	-	-	-	-	48,808	-	-	-	48,808
Capital outlay	-	-	433,862	-	-	-	249,654	1,051,443	-	1,734,959
Total expenditures	1,383,970	12,253,656	15,040,270	4,246,862	1,895,806	3,168,808	365,129	1,157,897	-	39,512,398
Excess (deficiency) of revenues over expenditures	(57,112)	6,618,977	3,475,742	(514,762)	(1,810,979)	(3,168,808)	967,060	14,826,817	1,277	20,338,212
Other financing sources (uses)										
Transfers in	-	-	-	-	1,400,000	2,841,308	-	-	-	4,241,308
Transfers out	-	(2,346,207)	-	-	-	-	-	(1,895,101)	-	(4,241,308)
Litigation payments, net	-	(2,806,180)	-	-	-	-	-	-	-	(2,806,180)
Total other financing sources (uses)	-	(5,152,387)	-	-	1,400,000	2,841,308	-	(1,895,101)	-	(2,806,180)
Net changes in fund balances	(57,112)	1,466,590	3,475,742	(514,762)	(410,979)	(327,500)	967,060	12,931,716	1,277	17,532,032
Fund balances – Beginning of year	376,793	29,897,853	26,509,005	6,070,298	(3,487,659)	327,500	(2,897,655)	38,686,216	510,109	95,992,460
Fund balances – End of year	\$ 319,681	\$ 31,364,443	\$ 29,984,747	\$ 5,555,536	\$ (3,898,638)	\$ -	\$ (1,930,595)	\$ 51,617,932	\$ 511,386	\$ 113,524,492

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
TO THE COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Statement E

Net changes in fund balance - total governmental funds (Statement D) \$ 17,532,032

Amounts reported for governmental activities in the Combined Statement of Activities are different because governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset additions	1,746,559
Depreciation expense	(6,063,367)

Financing is reported as income in the governmental funds report, but are recognized as long-term liabilities in the Combined Statement of Net Assets	(1,174,658)
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Revenues in the Combined Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds	(424,764)
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Repayment of noncurrent debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets	
Capital obligation principal payments	3,120,000
Amortization of deferred bond cost	(18,544)

Some expenses reported in the Combined Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Compensated absences	(142,053)
Legal claims and interest	2,806,180
Post-employment benefit cost	<u>(1,429,710)</u>

Change in net assets after transfer of governmental activities (Statement E)	<u><u>\$ 15,951,675</u></u>
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See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
AS OF JUNE 30, 2012

Statement F

	Major Funds			Non-major funds	
	Orleans Marina	South Shore Harbor Marina	Lakefront Airport	Lake Vista and New Basin Canal	Total Proprietary Funds
Assets					
Current assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectables	39,361	37,207	112,451	36,298	225,317
Due from other governments	71,246	916,232	6,525,504	2,832	7,515,814
Due from other funds	3,646,998	5,682,643	2,992,025	3,920,965	16,242,631
Other assets	2,389	-	79,070	-	81,459
Total current assets	3,759,994	6,636,082	9,709,050	3,960,095	24,065,221
Noncurrent assets					
Land	301,339	3,358,103	15,449,799	2,945,494	22,054,735
Other capital assets, net of depreciation	1,593,293	18,583,122	46,860,497	482,724	67,519,636
Total noncurrent assets	1,894,632	21,941,225	62,310,296	3,428,218	89,574,371
Total assets	<u>5,654,626</u>	<u>28,577,307</u>	<u>72,019,346</u>	<u>7,388,313</u>	<u>113,639,592</u>
Liabilities					
Current liabilities					
Accounts payable	17,902	25,535	10,678	-	54,115
Contracts payable	-	-	661,726	-	661,726
Accrued compensated absences	6,944	1,908	27,612	-	36,464
Due to other funds	24,181	3,830,352	8,760,758	854	12,616,145
Other liabilities	7,548	1,500	-	467	9,515
Total current liabilities	56,575	3,859,295	9,460,774	1,321	13,377,965
Noncurrent liabilities					
Deferred revenues	-	511,633	214,899	-	726,532
Post-employment benefit liability	90,232	69,001	297,235	-	456,468
Accrued compensated absences	14,098	4,808	56,061	-	74,967
Total noncurrent liabilities	104,330	585,442	568,195	-	1,257,967
Total liabilities	<u>160,905</u>	<u>4,444,737</u>	<u>10,028,969</u>	<u>1,321</u>	<u>14,635,932</u>
Net assets					
Invested in capital assets, net of related debt	1,894,632	21,941,225	62,310,296	3,428,218	89,574,371
Unrestricted	3,599,089	2,191,345	(319,919)	3,958,774	9,429,289
Total net assets	<u>\$ 5,493,721</u>	<u>\$ 24,132,570</u>	<u>\$ 61,990,377</u>	<u>\$ 7,386,992</u>	<u>\$ 99,003,660</u>

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Statement G

	Major Funds			Non-major funds	
	Orleans Marina	South Shore Harbor Marina	Lakefront Airport	Lake Vista and New Basin Canal	Total Proprietary Funds
Operating revenues					
Charges for services					
Rentals	\$ 1,331,714	\$ 536,496	\$ 1,215,372	\$ 942,797	\$ 4,026,379
Fuel from sales and fees	-	-	574,306	-	574,306
Total charges for service	1,331,714	536,496	1,789,678	942,797	4,600,685
Miscellaneous	14,234	1,409	140,269	3,131	159,043
Total operating revenues	1,345,948	537,905	1,929,947	945,928	4,759,728
Operating expenses					
Personnel services	227,496	239,607	938,885	54,996	1,460,984
Travel	-	-	2,540	-	2,540
Contractual services	278,946	275,640	931,634	55,468	1,541,688
Materials and supplies	22,148	28,447	59,904	1,075	111,574
Professional services	151,501	162,658	138,557	60,184	512,900
Other charges	24,371	13,479	1,198,121	-	1,235,971
Depreciation	70,003	1,297,644	1,164,670	116,285	2,648,602
Major maintenance	46,892	265,676	26,325	-	338,893
Total operating expenses	821,357	2,283,151	4,460,636	288,008	7,853,152
Net operating income	524,591	(1,745,246)	(2,530,689)	657,920	(3,093,424)
Nonoperating revenues (expenses)					
Grant income	26,767	63,019	13,539,647	2,854	13,632,287
Insurance proceeds	-	5,086	-	-	5,086
Loss on disposal of assets	-	(121,480)	(170,447)	-	(291,927)
Total nonoperating revenues	26,767	(53,375)	13,369,200	2,854	13,345,446
Change in net assets before transfers	551,358	(1,798,621)	10,838,511	660,774	10,252,022
Transfers	130,731	(48,858)	203,977	-	285,850
Changes in net assets	682,089	(1,847,479)	11,042,488	660,774	10,537,872
Total net assets - Beginning of year	4,811,632	25,980,049	50,947,889	6,726,218	88,465,788
Total net assets - End of year	\$ 5,493,721	\$ 24,132,570	\$ 61,990,377	\$ 7,386,992	\$ 99,003,660

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Statement H

	Major Funds			Non-Major Funds	Total
	Orleans Marina	South Shore Harbor Marina	Lakefront Airport	Lake Vista and New Basin Canal	Proprietary Funds
Cash flows from operating activities					
Receipts from customers	\$ 1,318,141	\$ 474,389	\$ 2,214,992	\$ 942,941	\$ 4,950,463
Payments to suppliers	(498,092)	(685,088)	(1,669,753)	(115,301)	(2,968,234)
Payments to employees	(358,284)	(173,668)	(1,100,090)	(54,996)	(1,687,038)
Internal activities - payments to other funds	(557,607)	323,204	1,259,227	(734,598)	290,226
Net cash provided by (used in) operating activities	(95,842)	(61,163)	704,376	38,046	585,417
Cash flows from capital and related financing activities					
Proceeds from federal and state grants	95,842	56,077	13,528,708	2,854	13,683,481
Purchase of capital assets	-	-	(14,062,637)	(40,900)	(14,103,537)
Proceeds from sale of capital assets	-	-	(170,447)	-	(170,447)
Insurance proceeds	-	5,086	-	-	5,086
Proceeds from litigation	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	95,842	61,163	(704,376)	(38,046)	(585,417)
Net change in cash	-	-	-	-	-
Cash - Beginning of year	-	-	-	-	-
Cash - End of year	\$ -	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 524,591	\$ (1,745,246)	\$ (2,530,689)	\$ 657,920	\$ (3,093,424)
Adjustment to reconcile operating income (loss) to net cash used in operating activities					
Cash flows reported in other categories					
Depreciation expense	70,003	1,297,644	1,164,670	116,285	2,648,602
Change in assets and liabilities					
Receivables, net	(27,807)	(35,759)	70,146	(2,987)	3,593
Prepaid expenses and other assets	45,165	61,442	154,808	15,167	276,582
Receivables from other funds	(687,421)	330,524	(4,953,491)	(734,598)	(6,044,986)
Accounts and other payables	(150,187)	37,552	586,214	(13,741)	459,838
Payables to other funds	129,814	(7,320)	6,212,718	-	6,335,212
Net cash provided by (used in) operating activities	\$ (95,842)	\$ (61,163)	\$ 704,376	\$ 38,046	\$ 585,417

See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of the Reporting Entity – The Southeast Louisiana Flood Protection Authority – East (the Authority) was created as a political subdivision of the State of Louisiana by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:330.1. The Authority's primary purpose is regional coordination of flood protection of the following levee districts and parts of levee districts and parishes:

- East Jefferson Levee District
- Lake Borgne Basin Levee District
- That portion of the Orleans Levee District east of the Mississippi River
- St. Tammany Levee District
- Tangipahoa Levee District

For the purposes of this report, the Authority combines the financial activity of the Orleans Levee District, the East Jefferson Levee District, and the Lake Borgne Basin Levee District with that of the administration arm of the Authority. The governing board administers the operations and responsibilities of the levee district in accordance with the provisions of Louisiana statutes:

- *The Orleans Levee District* (the OLD) was established by 1890 General Assembly of the State of Louisiana. The OLD has primary responsibility for the operation and maintenance of levees, embankments, seawalls, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The OLD is responsible for the maintenance of almost 111 miles of levees and floodwalls. Louisiana Legislature authorized the OLD to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The OLD owns and operates a general aviation airport, the New Orleans Lakefront Airport as well as the Orleans Marina and the South Shore Harbor Marina, and various other real estate properties. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 453 open boat slips, and 26 covered boat slips. The OLD has approximately 126 full-time employees, including 23 police officers and 6 firefighters.
- *The East Jefferson Levee District* (the EJLD) was created by Louisiana State Legislature on January 1, 1979 from the territory removed from the Pontchartrain Levee District. The East Jefferson Levee District includes all or portions of the following parishes: Jefferson Parish East of Mississippi River, South of Lake Pontchartrain, bordered by St. Charles Parish. The East Jefferson Levee District primarily provides flood protection for those areas contained in the district.
- *The Lake Borgne Basin Levee District* (the LBBLD) was created by Louisiana Revised Statute on January 1, 2007 as a component unit of the Authority. The LBBLD is comprised of all the territory contained within the parish of St. Bernard. The district primarily provides flood protection for those areas contained in the district. The LBBLD is responsible for 60 miles of levees, 8 pumping stations, and 53 miles of drainage canals. The District's office is located in Violet, Louisiana, and employs 30 full-time employees. The District's operations are funded primarily through ad valorem taxes, state revenue sharing and interest earnings.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

In order to promote coordination over parochial concerns, approval of a proposed project (program, engineering activities) shall require the favorable vote of at least two-thirds of the total voting membership of the Board, defined below, regardless of whether the project is limited to one or more levee districts within the territorial jurisdiction of the Authority

- *Project* – is a program or engineering activity, either new or continuing, that will be planned and implemented with the primary goal being the reduction of existing flood damages
- *Program* – The flood control system which may include, but not be limited to, flood proofing, waterproofing, ring dikes relocation assistance, information programs, formulation of codes, and engineering studies
- *Engineering Activities* – Functions which may include, but not be limited to, dams, reservoirs, levees, dikes, floodwalls, diversions, channel alterations such as snagging and channel straightening, or site detention, spillways, and land treatment

The Authority is governed by a Board of Commissioners (the Board), consisting of nine members, of whom there shall be exactly one member from each parish within the territorial jurisdiction of the Authority. The members shall be appointed by the Governor of Louisiana from nominations submitted by the nominating committee as follows

- Five members who shall either be an engineer or a professional in a related field such as geotechnical, hydrological, or environmental science. Of the five members, one member shall be a civil engineer
- Two members who shall be a professional in a discipline other than that occurring in item 1, with at least ten years of professional experience in that discipline
- Two members who shall be at-large

Regular monthly meetings of the Board shall be convened on a rotating basis at a place determined by the Board in a levee district under the jurisdiction of the Authority, which is located in New Orleans, Louisiana

Until December 31, 2006, the Levee Districts were governed by Boards of Commissioners appointed by the governor and local governing authorities. Effective January 1, 2007, the flood control activities of the Levee Districts will be governed by the Authority, a newly constituted governing body and the Authority's Board of Commissioners, in accordance with changes in state law approved by the citizenry on September 30, 2006. Significant non-flood facilities and improvements owned by the Orleans Levee District are managed and controlled by the Non-Flood Protection Asset Management Authority Board (Non-Flood Division)

The combined financial statements of the Authority include all of the Levee Districts subjected to the Authority's governance, as well as the aggregate results of the enterprise fund assets of the OLD, the results for the OLD real estate division's general fund and capital improvement fund

The OLD Real Estate Division fund is organizationally a non-flood control fund and is the administrative fund for the Non-Flood Division, however, it has responsibility not only for the proprietary funds, but also roadways, a bridge, and public recreation areas along Lake Pontchartrain, and all government-type activities. The Real Estate Division administrative fund is reported with the governmental funds. The General Improvement fund is also managed by the real estate fund and organizationally a part of the Non-Flood Division

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

The indebtedness of the District is reported in the governmental operations

A new district, Algiers Levee District, was developed from the geographic portion of the OLD that existed on the West Bank of the Mississippi River and this new district is governed by the Southeast Louisiana Flood Protection Authority – West

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements (i.e., the combined statement of net assets and the combined statement of activities) report information about the Authority as a whole. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges for support.

The combined statement of activities demonstrates the degree to which the direct expenses of the given functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (allocated to functions based on actual revenues and expenditures) and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

Net assets are displayed in three components:

- Invested in capital assets – consists of capital assets, net of related debt
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or invested in capital assets
- Restricted net assets – when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers most revenues available if they are collected within 60 days after year end. For certain grants for which collectability is assured, it is recorded as deferred revenue. Expenditures generally are recorded when a liability is incurred under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when paid.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed

The Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental fund types. In fund financial statements, fund balance for governmental funds, is reported in classifications that comprise a hierarchy primarily on the extent to which the Authority is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Authority to assess, levy, change or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority. Those committed amounts cannot be used for any other purpose unless the Authority removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Authority or the designee as established in the Authority's Fund Balance Policy.
- *Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) are available for use. It is the Authority's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Major Funds – The Authority General Fund (Authority GF) is used to account for all financial activity associated with the primary purpose for which the Authority was created.

The OLD General Fund is the primary operating fund of the OLD as relates to the flood protection purpose of the organization. The fund accounts for all financial resources related to flood control functions, except those required to be accounted for in other funds.

The EJLD General Fund is the primary operating fund of the EJLD as relates to the flood protection purpose of the organization.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

The LBBLD General Fund is the primary operating fund of the LBBLD as relates to the flood protection purpose of the organization. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The OLD Real Estate Fund is a companion fund to the OLD General Fund, used to provide management and administration of non-flood control operations, including the OLD's proprietary funds as well as parks, roadways, and bridges.

The OLD Debt Service Fund is used to account for transactions relating to resources retained and used for the payment of general long-term debt principal, interest, and related costs.

The OLD Special Levee Improvement Project (SLIP) Fund is used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities as well as maintenance of the flood control system.

The OLD General Improvement Fund is used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities of the Non-Flood Division.

The LBBLD Capital Projects Fund is used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

The Orleans Marina, the South Shore Harbor Marina, and Lakefront Airport are proprietary funds used for financial resources received and used for the acquisition, construction, or improvement of capital facilities.

Basis of Accounting – In April 1984, the Financial Accounting Foundation established the GASB to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements present information only as to the transactions of the Authority as authorized by Louisiana statutes. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Authority are maintained in accordance with applicable statutory provisions and the regulations of the State of Louisiana, Division of Administration – Office of Statewide Reporting and Accounting Policy.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Cash and Cash Equivalents – For the purpose of the combined statement of cash flows, cash and cash equivalents include all demand accounts and certificates of deposit with an original maturity of three months or less

Under state law, the Authority may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. State statutes authorize the Authority to invest in United States bonds, treasury notes or certificates. These are classified as investments if the original maturities exceed 90 days. Investments are stated at fair value using published market rates.

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of commercial paper held by the state treasurer. The Authority was fully covered by FDIC and pledged securities at June 30, 2012.

Investments – Nearly all investments held by general purpose governments are required to be reported at fair value in their basic financial statements by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Receivables – All receivables are shown net of allowance for doubtful accounts.

Interfund Receivables or Payables – These amounts are referred to as either due to or due from other funds, which result from a pooled cash management process. Interfund receivables or payables reflect a cumulative excess of costs (due from) or revenue (due to) generally between the general funds and all other funds. As a general rule, all interfund balances are eliminated in the government-wide financial statements.

Inventory – Supplies and fuel are charged to inventory and expensed when used.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective April 1, 2010, the Authority and its related districts implemented a \$5,000 minimum capitalization threshold. OLD's capitalization threshold for infrastructure assets was raised from \$50,000 to \$2,000,000 to be consistent with the recommendation by the Office of Statewide Reporting and Accounting Policy.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
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The following are the major classes of capital assets and the related asset lives

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	3-20
Infrastructure	40

Compensated Absences – Employees earn and accumulate annual and sick leave of various rates, depending on the years of service. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability.

Long-term Obligations – In the government-wide financial statements, long-term obligations are recognized as liabilities in the applicable governmental activities statement of net assets.

Combined Balance Sheet – governmental funds includes a reconciliation of the government-wide statements to the governmental fund financial statements. This reconciliation is necessary to bring the financial statements from the current financial resources measurement focus and modified accrual basis of accounting to the economic resources measurement focus and full accrual basis of accounting. Major items included in the reconciliation are capital assets, long-term debt, accrued compensated absences, and deferred revenue, which are shown on the government-wide but not the governmental fund statements. The combined statement of revenues, expenditures, and changes in fund balances – governmental funds includes a reconciliation between net changes in fund balances – total governmental funds and change in net assets of governmental activities. Governmental funds report capital outlays as expenditures, however, in the combined statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

B. BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control device during the year for the Authority's General Fund, the OLD General Fund, the LBBLD General Fund, the EJLD General Fund, and the OLD Real Estate Fund.

Expenditures are controlled at a major cost category level. Executive Directors may reallocate resources among cost categories and departments so long as aggregate cost does not change. Changes to the budgets that will change total revenue or expense must be approved by the Board. Budgets are prepared generally on a cash basis. The budgets are adopted on a basis consistent with generally accepted accounting principles.

By April 1 of each year, the Board submits the annual budgets to the Joint Legislative Committee on the Budget and to the Legislative Auditor of the State of Louisiana for the succeeding fiscal year. The operating and capital budgets include proposed expenditures and the means of financing.

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The original budgets for the Authority GF, OLD, LBBLD, and EJLD were adopted on March 17, 2011. The amended general fund budget for EJLD was adopted on March 15, 2012.

The amended budget for the OLD was adopted on July 21, 2011 and June 21, 2012. The amended budget for LBBLD was adopted on May 17, 2012. The budgeted amounts are included, respectively, as the original and final budgets in the accompanying Schedule 1 on page 45.

The most significant changes made are described below:

- **Revenues** – The LBBLD's original budget was \$6,900,000 in revenues and the revised budget was \$3,530,000. Actual results yielded an increase of \$203,377 to \$3,733,377 mainly due to the increase in governmental revenues. The OLD's original budget was \$17,044,007 in revenues and the amended budget was \$19,462,793. Actual results yielded a decrease of \$605,595 to \$18,857,198. The EJLD's original budget was \$8,598,000 while the amended budget had revenues of \$18,213,000 with the majority of the variance due to the increase in intergovernmental revenues. Actual results yielded an increase of \$1,818,854 to \$20,031,854. The Authority's original budget called for a total of \$1,633,900 with no amendments to change the original budget, the actual revenues were \$1,326,858.
- **Expenditures** – The LBBLD's original budget was \$10,371,000 in expenditures while the amended budget was \$4,501,000. The actual results yielded amounts comparable to the amended budget with a change of \$254,137. The EJLD's original budget was \$6,226,754 while the amended budget had expenditures of \$6,420,096 with the majority of the variance due to materials and supplies. Actual results yielded a favorable variance of \$634,511 due to lower personnel expenses. The Authority's original budget called for a total of \$1,627,170 with no amendments to change the original budget and the actual expenditures were \$1,383,970. The OLD's original budget was \$14,794,828 while the amended budget was increased to \$15,306,764 mainly to an increase in professional services. Actual results yielded \$14,149,462 with the majority of the variance due to a decrease in contractual and professional services. Combined variances in the final budget amounts and actual results are shown in the combined statement of revenues, expenditures, and changes in fund balances – budget and actual – general funds on Schedule 1.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. Deposits with Financial Institutions

Cash includes petty cash and demand deposits. Cash equivalents may include amounts in time deposits, money market mutual funds, commercial paper, and United States Treasury bills. Under state law, the Authority may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana. Furthermore, the Authority may invest in certificates of deposit of state banks organized under Louisiana law and national banks having the principal offices in Louisiana.

Aggregate cash and cash equivalents by entity were as follows:

Authority	\$ 243,955
Orleans Levee District	72,313
East Jefferson Levee District	22,802,420
Lake Borgne Basin Levee District	<u>5,977,290</u>
Total	<u>\$ 29,095,978</u>

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
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Amounts deposited in banks

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Money Market</u>	<u>Total</u>
Balance per agency books	29,095,978	5,535,949	2,300,102	36,932,029
Deposits in bank accounts per bank	31,045,228	5,535,949	2,300,102	38,881,279
Bank balances of deposits exposed to custodial credit risk				
a Deposits not insured and uncollateralized	-	-	-	-
b Deposits not insured and collateralized with securities held by the pledging institution	-	-	-	-
c Deposits not insured and collateralized with securities held by the pledging institution's trust department or agency	-	-	-	-

The total bank balances will not necessarily equal the deposits in bank account per the combined statement of net assets. Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits are secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance at all times equals the amount on deposit with the fiscal agent. Because the securities are held by the pledging fiscal agent in the respective District's name, the Authority does not have any custodial credit risk.

2. Investments – At June 30, 2012, the Authority had invested \$84,042,654 with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation, organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of Louisiana Asset Management Pool (LAMP) is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R S 33:2955. GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

LAMP is a money market-like investment pool. The following facts are relevant for money market-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool, therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5% disclosure requirement.
- Interest rate risk: Money market-like investment pools are excluded from this disclosure requirement, per GASB Statement No. 40.
- Foreign currency risk: Not applicable to money market-like pools.

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The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397. LAMP is designed to be highly liquid to give its participants immediate access to the account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact the LAMP administrative office at (800) 249-5267.

The Authority also maintains investment accounts as authorized by LA-R.S. 33:2955. As of June 30, 2012, EJLD reported a fair value of \$5,535,949 of certificates of deposits, which are not exposed to custodial credit risk.

D. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure, such as bridges, seawalls, roads, and levees, are reported in the financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at the estimated fair market value at the date of donation. The Authority, and its' affiliated districts, range between \$5,000 and \$2,000,000 for the capitalization of assets. In accordance with accounting principles generally accepted in the United States of America and the GASB Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. The Authority has recorded the costs of construction for projects identified in its bond documents and will continue to recognize its portion of the cost of infrastructure.

Bridges and roadways	\$ 72,065,171
Parks and recreation	2,639,993
Buildings	<u>1,823,093</u>
Subtotal – other infrastructure assets	76,528,257
Flood protection systems	<u>87,701,570</u>
Total – infrastructure assets	<u>\$ 164,229,827</u>

Accumulated depreciation on infrastructure assets amounted to \$66,587,754 at year end.

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Changes in capital assets for the year ended June 30, 2012 are shown on the following schedule

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital assets, not being depreciated				
Land	\$ 36,103,167	\$ -	\$ -	\$ 36,103,167
Construction in progress	17,694,305	14,759,775	(7,562,875)	24,891,205
Total capital assets not being depreciated	<u>53,797,472</u>	<u>14,759,775</u>	<u>(7,562,875)</u>	<u>60,994,372</u>
Capital assets, being depreciated				
Buildings	32,221,803	6,248,687	(417,290)	38,053,200
Improvements other than buildings	111,817,605	1,570,545	-	113,388,150
Equipment	11,594,811	1,801,713	(917,022)	12,479,502
Infrastructure	164,278,307	-	(48,480)	164,229,827
Total capital assets, being depreciated	<u>319,912,526</u>	<u>9,620,945</u>	<u>(1,382,792)</u>	<u>328,150,679</u>
Less accumulated depreciation for				
Buildings	13,542,653	1,035,976	(252,321)	14,326,308
Improvements other than buildings	73,034,838	2,770,270	-	75,805,108
Equipment	8,736,132	1,195,905	(723,990)	9,208,047
Infrastructure	62,237,728	4,350,026	-	66,587,754
Total accumulated depreciation	<u>157,551,351</u>	<u>9,352,177</u>	<u>(976,311)</u>	<u>165,927,217</u>
Total capital assets, being depreciated, net	<u>\$ 162,361,175</u>	<u>268,768</u>	<u>(406,481)</u>	<u>162,223,462</u>
Total capital assets	<u>\$ 216,158,647</u>	<u>\$15,028,543</u>	<u>\$(7,969,356)</u>	<u>\$ 223,217,834</u>

The increase in construction in progress was primarily related to the Lakefront Airport construction

E. INVENTORY

Two of the districts maintain a perpetual inventory system for fuel and supplies. The inventory is recorded as an expense at the time the individual items are withdrawn from stock. The inventory is valued at average cost. The year end balance consists of supplies and fuel that could be needed at any time.

F. RESTRICTED ASSETS

Restricted assets at June 30, 2012, shown on Statement A, amounted to \$2,844,462. Restricted assets consisted of \$792,089 in cash set aside for legal settlement payments and \$2,052,373 for the note payable.

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G. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave of various rates, depending on the years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or the employee's estate are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the Authority's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay this amount when employees separate from service. The combined value of accrued annual leave and compensatory leave at June 30, 2012 was \$1,074,555.

H. RETIREMENT SYSTEM

Substantially all employees of the Authority are members of the Louisiana State Employees Retirement System (the System or LASERS), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time employees are eligible to participate in the System. Benefits vest with ten years of service, at retirement age. Regular members of LASERS hired on or before June 30, 2006 are entitled to annual benefits equal to 2.5% of the highest consecutive 36 months average salary multiplied by the years of credited service. Also, regular members hired before July 1, 1986 are entitled to an additional \$300 per year. Regular members hired on or after July 1, 2006, are entitled to annual benefits equal to 2.5% of the highest successive 60 months average salary multiplied by the years of credited service.

Regular members hired on or before June 30, 2006, may retire of (a) any age with thirty years of service, (b) age 55 with twenty-five years of service, or (c) age sixty with ten years of service. In addition, those members have the option of reduced benefits at any age with twenty years of service. Regular members hired on or after July 1, 2006 may retire at age 60 with ten years of service. The System also provides a death and disability benefit. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which may be obtained by writing to the Louisiana State Employees' Retirement System, P O Box 44213, Baton Rouge, LA 70804 or by calling (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, if they were hired prior to July 1, 2006 and 8% after July 1, 2006. The contribution rate for the fiscal years ending June 30, 2012 was 25.6%. The contribution rates for fiscal years ended June 30, 2011 and 2010 were 22.0% and 18.6% respectively. The aggregate contribution to the System for the years ending June 30, 2012, 2011, and 2010 were \$2,084,690, \$1,773,909, and \$1,492,051, respectively, equal to the required contributions for each year.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
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I. OTHER POST-EMPLOYMENT BENEFITS

Substantially, all Authority employees become eligible for post-employment healthcare, dental, and life insurance benefits if they reach normal retirement age while working for the Authority. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Authority.

Post-employment Healthcare Plan

Plan Description The OLD's defined benefit healthcare plan, currently provided by United Healthcare, provides medical benefits to active and eligible retired OLD employees and their beneficiaries. The Board may amend the plan as it sees fit, and can likewise define the cost to employees and retirees.

The EJLD's defined benefit healthcare plan, currently provided by Blue Cross Blue Shield of Louisiana, provides medical benefits to active and eligible retired EJLD employees and the employee's beneficiaries. The Board may amend the plan as it sees fit, and can likewise define the cost to employees and retirees.

LBBLD employees may participate in the State's Other Post-employment Benefit Plan (OPEB Plan or the Plan), an agent multiple-employer, defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and the beneficiaries. The Office of Group Benefits (OGB) administers the plan. LRS 42:801-883 provides OGB the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report of the OPEB Plan, however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy The OLD members receiving benefits contribute \$233 per month for retiree-only coverage, \$485 per month for retiree and spouse, \$443 for retiree and child, \$746 for retiree and family, or \$233 for surviving spouse. The EJLD members receiving benefits contribute \$257 per month for retiree-only coverage, \$544 per month for retiree and spouse, \$502 for retiree and child, or \$805 for retiree and family coverage.

The contribution requirements of plan members and the LBBLD are established and may be amended by LRS 42:801-883. Employees do not contribute to the post-employment benefit cost until they become retirees and begin receiving those benefits. The retirees contribute to cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) Plan. Depending upon the plan selected, during fiscal year 2012 employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare, to \$126 to \$170 per month for retiree-only coverage without Medicare. The fiscal year 2012 premiums for retiree and spouse range from \$69 to \$165 per month for those with Medicare, to \$408 to \$493 per month for those without Medicare.

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The Plan is currently financed on a pay as you go basis, with the LBBLD contributing anywhere from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare, during fiscal year 2012. Also, the LBBLD's contributions range from \$207 to \$427 per month for retiree and spouse with Medicare of \$1,242 to \$1,293 for retiree and spouse without Medicare.

The Authority's annual required contribution (the "ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The current ARC rate is 27.8% of annual covered payroll for the OLD. The OLD's governing body will in the upcoming year review the costs and benefits program and determine a funding plan. The ARC has not been funded for fiscal year 2012. The assumed investment rate of return used in the valuation is 4%.

Annual Other Post-employment Benefit (OPEB) Cost – For the year ended June 30, 2012, the OLD's annual OPEB cost for the post-employment healthcare plan recognized in the combined statement of activities of \$1,668,505 was equal to the ARC. The EJLD's annual OPEB cost of \$99,224 for healthcare costs was equal to the ARC.

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method was used, the actuarial assumptions included 4% investment rate of return (net of administrative expenses). The actuarial value of the healthcare plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The OLD and EJLD's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012 was 30 years.

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In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9.5% and 10.6% eligible for pre-Medicare and Medicare, respectively, scaling down to ultimate rates of 5% per year. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012 was twenty nine years.

Benefits paid in 2012 by the OLD totaled \$720,153 for the 101 retirees. Employees hired January 1, 2010 or later, who are eligible for Medicare will not be eligible for the OLD's health insurance plan. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the EJLD. Benefits paid by EJLD for the year ended June 30, 2012 totaled \$48,257 for the 17 retirees.

The OLD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 were:

Normal cost	\$ 400,334
30-year UAAL amortization amount	1,268,171
Interest on the above	<u>-</u>
Annual required contribution (ARC)	<u>\$ 1,668,505</u>

The following table presents the OLD's OPEB obligation for the year ended June 30, 2012:

Beginning net OPEB obligation, July 1, 2011	\$ 4,438,557
Annual required contribution	1,668,505
Interest on net OPEB obligation	177,542
Adjustment to ARC	<u>(256,683)</u>
OPEB cost	6,027,921
Contributions made (retiree cost)	<u>(720,153)</u>
Ending net OPEB obligation, June 30, 2012	<u>\$ 5,307,768</u>

The funded status of the OLD healthcare and life insurance plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 21,929,219
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 21,929,219</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 6,011,345
UAAL as a percentage of covered payroll	365%

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The OLD Schedule of Funding Progress for OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2012	\$ -	\$ 21,929,219	\$ 21,929,219	0%	\$ 6,011,345	365%
6/30/2011	-	21,352,921	21,352,921	0%	6,622,262	322%
6/30/2010	-	21,352,921	21,352,921	0%	6,516,308	328%

The EJLD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding year were as follows

Normal cost	\$ 42,597
30-year UAL amortization amount	56,627
Interest on the above	-
Annual required contribution (ARC)	<u>\$ 99,224</u>

The following table presents the EJLD's OPEB obligation for the year ended June 30, 2012

Beginning net OPEB obligation, July 1, 2011	\$ 693,462
Annual required contribution	99,224
Interest on net OPEB obligation	27,738
Adjustment to ARC	<u>(40,103)</u>
OPEB cost	780,321
Contributions made (retiree cost)	<u>(48,257)</u>
Ending net OPEB obligation, June 30, 2012	<u>\$ 732,064</u>

The funded status of the EJLD's plan for medical and life benefits as of June 30, 2012 was as follows

Actuarial accrued liability (AAL)	\$ 979,193
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 979,193</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 345,583
UAAL as a percentage of covered payroll	283%

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The EJLD Schedule of Funding Progress for OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
6/30/2012	\$ -	\$ 979,193	\$ 979,193	0%
6/30/2011	-	1,559,832	1,559,832	0%
6/30/2010	-	1,559,832	1,559,832	0%

The LBBLD's total ARC for the year beginning July 1, 2012 is \$310,800 as set forth below

Normal cost	\$ 165,300
30-year UAL amortization amount	145,500
Interest on the above	-
Annual required contribution (ARC)	<u>\$ 310,800</u>

The following table presents the LBBLD's OPEB obligation for the fiscal year 2012

Beginning net OPEB obligation, July 1, 2011	\$ 2,188,590
Annual required contribution	310,800
Interest on net OPEB obligation	-
OPEB cost	2,499,390
Contributions made (retiree cost)	(65,797)
Ending net OPEB obligation, June 30, 2012	<u>\$ 2,433,593</u>

The funded status of the LBBLD's plan as of June 30, 2012, was as follows

Actuarial accrued liability (AAL)	\$ 3,530,500
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,530,500</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 1,156,000
UAAL as a percentage of covered payroll	305%

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

The LBBLD Schedule of Funding Progress for OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b- a) / c)
6/30/2012	\$ -	\$ 3,530,500	\$ 3,530,500	0%	\$ 1,156,100	305%
6/30/2011	-	4,660,700	4,660,700	0%	1,119,600	416%
6/30/2010	-	5,269,900	5,269,900	0%	1,363,755	386%

Post-employment Life Insurance Benefits

The OLD retirees have the option to keep Optional Life/Supplemental Insurance Supplemental Life-Retiree amount of coverage is based on either 150% (Option 1) or 250% (Option 2) of the retiree's annual salary (prior to retirement) to a maximum coverage of \$70,000 Premium is based on the amount of coverage and the retiree's age OLD pays 50% of the premium Retiree must have a monthly salary of \$1,000 or more to choose Option 1 or 2 Approval is determined by the insurance carrier, Guardian Life Insurance This benefit must be selected for continuation at the time of retirement Retirees cannot choose this option after retirement

Under the provisions of OLD Group Life Insurance program with Guardian Life Insurance Company (Guardian), premium rates are adjusted every five years to reflect an increase in cost as retirees move from one age group to another Because of the increase in the older age groups, Guardian views the retirees as a higher risk To compensate for the risk factor, premiums are increased to cover the anticipated additional cost

- Life insurance coverage is reduced by 50% at the age of 70
- For employees hired January 1, 2010 or later, the employee will be responsible for the premium at age 70
- Retirees cannot maintain spouse or dependent life insurance Retirees cannot maintain basic life coverage of \$5,000 or AD&D insurance

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment (AD&D) coverage, which is underwritten by the Prudential Insurance Company of America The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
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Members become eligible for life insurance benefits upon retirement where the retiree has met 10 years of service and 62 years of age, or 25 years of service at any age. Members are responsible for ½ of insurance premium equal to the premium at time of retirement. Under the provisions of the EJLD Group Life insurance program, premium rates are adjusted every five years to reflect an increase in cost as retirees move from one age group to another. Because of the increase in the older age groups, Humana views the retirees as a higher risk. To compensate for the risk factor, premiums are increased to cover the anticipated additional cost. Life insurance coverage is reduced by 35% at the age of 70.

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

J. LEASES – OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2012, the total cost of the land, buildings and improvements leased to others is \$142.2 million with \$71.3 million net of related accumulated depreciation. Current year rents amount to \$4.0 million. The amount derived from contingent rent increases was negligible. The amounts reported represent rents due on non-cancelable leases currently in effect. Future minimum rental payments to be received under these operating leases are as follows:

2013	\$ 4,191,479
2014	4,272,773
2015	4,272,774
2016	3,357,867
2017	3,357,868
2018-2022	9,988,195
2023-2027	9,988,195
2028-2032	9,988,195
Remainder of term	<u>9,988,195</u>
Total	<u>\$ 59,405,541</u>

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

K. LONG-TERM OBLIGATIONS

Loans from the State of Louisiana – The terms of the loan include a maturity date 20 years from the delivery of the bonds issued by the State. In the first five years, neither principal nor interest are payable. Thereafter, the loan bears a fixed interest rate of 4.64% and shall be repaid in level installments over the remaining 15 years of the agreement's term. The District has the right to request one additional extension of its obligation to begin payments, not to exceed five years. Such an extension can be made at the sole judgment of the Office of Community Development approved in writing by the commissioner of Administration. The funds are used solely for payment of debt service on the identified bonds. The loan is payable from available revenue and subordinated to the existing obligations of the borrower. Bonded debt of the Orleans Levee District was retired in the current fiscal year.

The State issued bonds noted above were delivered in 2006. For the purposes of reporting future debt payments, no extension requests are assumed. At 4.64% interest, assuming all funds are borrowed, the annual installment due for debt service beginning in fiscal year 2013 is \$2,456,132 through 2026. The amount outstanding as of June 30, 2012 is \$26,125,671. The Gulf Opportunity Zone Bond loan repayment is governed by a cooperative agreement dated July 19, 2006, which designated available revenues from assets as the sole source of repayment.

Settlement and Compromise Agreement – On March 15, 2012, the Algiers Levee District (ALD) and the Authority entered into a settlement and compromise agreement which determined that ALD will reimburse OLD for its share of debt service paid by Orleans since the date ALD was created. Additionally, ALD agreed to pay its pro-rata share of the balance outstanding on the Loans from the State of Louisiana plus interest due through the date of the compromise and settlement.

In return, the Authority agreed to acknowledge that ALD fulfilled its obligations by paying its pro-rate share of debt outstanding at the time of its creation. The Authority agreed to repay the balance outstanding of the OLD's bonded debt and support a change in the law that would allow the ALD to directly collect its taxes, rather than receive them from the Orleans Levee District. The following is the schedule of future minimum payments:

2013	\$ 1,243,901
2014	1,301,618
2015	1,362,013
2016	1,425,210
2017	1,491,340
2018-2022	8,561,164
2023-2027	<u>10,740,425</u>
Total	<u>\$ 26,125,671</u>

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in Long-Term Obligations – The following schedules summarize the changes in long-term debt during the year ended June 30, 2012

	June 30, 2011	Additions	Retirement	June 30, 2012	One Year
Governmental Activities:					
Levee improvement					
Variable rate refunding bonds, series 1996	\$ 2,100,000	\$ -	\$ (2,100,000)	\$ -	\$ -
Public improvement					
Variable rate refunding bonds, series 1996	1,020,000	-	(1,020,000)	-	-
Less Unamortized issue costs	(10,518)	-	10,518	-	-
Less Unamortized loss on refunding	(8,027)	-	8,027	-	-
Net public improvement bonds payable	3,101,455	-	(3,101,455)	-	-
Long term borrowing from State of Louisiana	26,125,671	-	-	26,125,671	1,243,901
Total bonds and notes payable	29,227,126	-	(3,101,455)	26,125,671	1,243,901
Compensated absences	819,722	144,102	-	963,124	135,179
Judgments	25,371,124	30,445	(2,806,180)	22,595,389	-
Post-employee benefit liability	6,587,247	1,429,711	-	8,016,958	-
Governmental activities long-term liabilities	62,005,219	1,604,258	(5,907,635)	57,701,142	1,379,080
Business-Type Activities:					
Compensated absences	126,388	14,459	(29,416)	111,431	36,464
Post-employment benefit liability	667,565	74,753	(285,850)	456,468	-
Total long term obligations	\$ 62,799,172	\$ 1,693,470	\$ (6,222,901)	\$ 58,269,041	\$ 1,415,544

L. CONTINGENT LIABILITIES

Orleans Levee District

Bohemia Spillway Litigation Numerous lawsuits have been filed by individuals and various statutes have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Upon the return of the property, the OLD is required to return the royalties, and other similar revenues, collected since June 29, 1984, until the date of transfer.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
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Judgment was rendered in *Haspel & Davis v Board of Commissioners of the Orleans Levee District* Case No. 31-357, in favor of the plaintiffs awarding the sum of \$18,767,145 plus interest from the date of judicial demand until paid, for the sum of revenues paid to the OLD of its share of royalties under mineral leases in the Bohemia Spillway. A number of payments have been made since 2001 as reflected in current and prior year financial statements, including \$100,000 in fiscal year ending June 30, 2012.

On December 16, 2011, the Authority settled payment for non-class over \$10,000 for \$2,399,614.

Included in the liability for judgments and legal claims payable as of June 30, 2011 is \$1.43 million related to judgments rendered by the district court on June 2, 2011. On June 21, 2011, the OLD filed a motion for suspensive appeal. Also included in the judgments and legal claims payable as of June 30, 2012 is a \$1.44 million provision for claims of Bohemia plaintiffs who opted out of the *Haspel & Davis* class action lawsuit.

On June 5, 2012, plaintiff's counsel for the *Haspel & Davis* class submitted a settlement offer for OLD's consideration. The OLD rejected the proposal on June 5, 2012 and made a counter-offer to the plaintiffs. No response and no other activity have occurred since the OLD counter-offer.

A number of additional suits seeking return of lands and related revenue are being adjudicated relating to alleged rights to the property under the statute. The OLD is working to determine if the certifications by the Secretary of Louisiana Department of Natural Resources (DNR) are final.

Other Litigation At June 30, 2012, the OLD was a defendant or co-defendant in multiple lawsuits in addition to those relating to Hurricane Katrina. Numerous class action lawsuits have been filed in connection with Hurricane Katrina, which are being handled through the OLD's general and excess liability insurer. Management believes insurance is sufficient to satisfy any judgment.

On June 29, 2012, a judgment in the amount of \$1,575,178 was rendered against the OLD relating to the value of expropriated property. The Coastal Protection and Restoration Authority has pledged to pay any judgment amount and attorneys' fees that may ultimately result. Therefore, no cost or liability has been recorded in the OLD's financial statements.

Lake Borgne Basin Levee District

The LBBLD is a defendant in lawsuits involving personal injury and property expropriated. The LBBLD's legal counsel has reviewed all claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the LBBLD. Management is of the opinion that liability from suits is questionable or insurance coverage appears adequate.

The LBBLD is a defendant in lawsuits involving property damage, injuries, and fatalities resulting from flood on August 29, 2005 from Hurricane Katrina. The LBBLD's management cannot estimate the outcome or range of potential loss at this time. The LBBLD is vigorously defending the lawsuits.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
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The LBBLD is a defendant in two lawsuits alleging property damage as a result of the LBBLD commandeering the plaintiffs' property following Hurricane Katrina. The LBBLD's management cannot predict the outcome of these lawsuits.

East Jefferson Levee District

The EJLD is a defendant in lawsuits involving personal injury and property expropriated. The EJLD's legal counsel has reviewed all claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the EJLD. Management is of the opinion that liability from suits is questionable or insurance coverage appears adequate.

As reflected in the combined statement of net assets, estimated liabilities relating to the above-described judgments and legal claims payable totaled \$22,595,389 of June 30, 2012.

M. RELATED PARTY TRANSACTIONS – N/A

N. ACCOUNTING CHANGES

An accounting change made by the Orleans Levee District involved changing the capitalization threshold for infrastructure assets from \$50,000 to the amount recommended by the Office of Statewide Reporting and Accounting Policy of \$2,000,000. For the fiscal year ending 2012, the effect was to increase major maintenance costs by \$582,213, net of the write-off of prior year amounts capitalized to construction in progress of \$103,921.

O. IN-KIND CONTRIBUTIONS – N/A

P. DEFEASED ISSUES – N/A

Q. REVENUES - PLEDGED OR SOLD – N/A

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

The Authority participates in a number of federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Authority believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS — N/A

T. SHORT-TERM DEBT – N/A

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

U. DISAGGREGATION OF RECEIVABLE BALANCES

The following page displays the June 30, 2012 balances in receivables by each district's governmental activities

	<u>OLD</u>	<u>EJLD</u>	<u>LBBLD</u>	<u>Proprietary</u>	<u>Total</u>
Ad valorem taxes	\$ 748,913	\$ -	\$ 20,667	\$	\$ 769,580
Customers and other, net of allowance for doubtful accounts	76,488	21,349	-	225,317	323,154
	<u>\$ 825,401</u>	<u>\$ 21,349</u>	<u>\$ 20,667</u>	<u>\$ 225,317</u>	<u>\$ 1,092,734</u>

All amounts are due or expected to be collected within one year

Ad Valorem Taxes – Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by each district in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

Louisiana Constitution provides that the OLD may levy an annual tax not to exceed 2.5 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other incidental purposes. If the OLD needs to raise additional funds in excess of the amount authorized by the constitution, the taxes in excess of 2.5 mills must be approved by a majority vote of the electors of Orleans Parish. By 1983, the 2.5 mill constitutional tax was reestablished at 5.05 mills and the special levee improvement tax was reestablished at 6.07 mills.

By general election held in the City of New Orleans in 1983, the voters of Orleans Parish elected to continue the 6.07 mill ad valorem tax on assessed property for 30 years (1985-2015) to finance hurricane and flood protection projects and fund the retirement of levee improvement bonds. The electorate also approved an ongoing maintenance tax of 0.75 mills for maintaining the flood protection system.

As a result of the quadrennial assessment conducted prior to the tax assessment of 2012 and in accordance with the Louisiana Constitution, the millage rates were procedurally reduced from the levels assessed in 2011. The Board then adjusted the millage rates for 2012 upward to the same millage as collected in 2011.

The OLD collects 3 ad valorem taxes: constitutional maintenance and Special Levee Improvement tax. All tax other than provided in constitution must have approval of the voters of Orleans Parish. The citizens of New Orleans did approve the Special Levee Improvement tax. The millages are currently as shown in the table below:

	<u>Authorized</u>	<u>Levied 2012</u>
Parish-wide taxes		
Constitutional	5.46	5.46
Maintenance	0.75	0.75
Levee improvement	5.46	5.46
	<u>11.67</u>	<u>11.67</u>

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

At June 30, 2012, approximately \$892,164 of property taxes has been paid under protest and is, therefore, not recorded in the financial statements

East Jefferson Levee District – The Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the levee districts may levy annually a tax not to exceed five mills. If the EJLD needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors. The following table shows the maximum rates as well as the rates billed in 2012.

	<u>Authorized</u>	<u>Levied 2012</u>
Parish-wide taxes		
Constitutional	4.01	4.01
	<u>4.01</u>	<u>4.01</u>

Lake Borgne Basin Levee District – The Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the levee districts may levy annually a tax not to exceed five mills. If the LBBLD needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors.

The following table shows the maximum rates as well as the rates billed in 2012.

	<u>Authorized</u>	<u>Levied 2012</u>	<u>Effective Years</u>
Parish-wide taxes			
Constitution	3.83	3.83	
General election	3.00	3.00	2005 - 2045
General election	4.27	4.27	2011 - 2020
	<u>11.10</u>	<u>11.10</u>	

Algiers Levee District – In accordance with Legislation, the Algiers Levee District (ALD) was formed out of that portion of the land area historically a part of the OLD, but geographically on the West Bank of the Mississippi River. Concurrent with that transfer of responsibility, the legislation provided that taxes collected from the residents of that area would be collected by the OLD and, after deduction of a pro rata share of the Orleans' District's debt service, the remainder of the taxes would be remitted to the ALD. All taxes collected from the Algiers Levee District are included in ad valorem tax revenue on the combined statement of activities and on the combined statement of net assets. The following table indicates the total amount of taxes collected, the amount sent to Algiers Levee District and the amount retained for the payment of debt service. (See Note Y - Other Transfers)

As a result of the compromise and settlement agreement between the Authority and Algiers Levee District, this requirement was eliminated.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
Total taxes collected, Algiers Levee District	\$ 2,654,233	\$ 2,499,265
Amount remitted to Algiers Levee District	<u>2,654,233</u>	<u>2,444,671</u>
Amount retained by the Orleans Levee District	<u>\$ -</u>	<u>\$ 54,594</u>

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2012 were as follows

	<u>Authority GF</u>	<u>OLD</u>	<u>EJLD</u>	<u>LBBLD</u>	<u>Proprietary</u>	<u>Total</u>
Vendors and employees	\$ 39,600	\$ 4,428,282	\$ 257,318	\$ 151,192	\$ 54,115	\$ 4,930,507
Contracts payable	<u>-</u>	<u>496,516</u>	<u>-</u>	<u>-</u>	<u>661,726</u>	<u>1,158,242</u>
	<u>\$ 39,600</u>	<u>\$ 4,924,798</u>	<u>\$ 257,318</u>	<u>\$ 151,192</u>	<u>\$ 715,841</u>	<u>\$ 6,088,749</u>

All amounts are payable within one year

Due from other governments represents amounts to be received from Federal Emergency Management Agency. As of June 30, 2012, the Authority had a balance of \$11,245,886 due from other governments. The balance due to other agencies was \$2,330,545 as of June 30, 2012, of which \$2,192,000 was due to the Army Corps of Engineers.

W. SUBSEQUENT EVENTS

On August 29, 2012, Hurricane Isaac flooded the Lakefront Airport. Management believes the amount of damages from Hurricane Isaac will not exceed the insurance coverage.

Except as noted above, management has evaluated subsequent events through the date that the financial statements were available to be issued, September 20, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

X. SEGMENT INFORMATION – N/A

Y. DUE TO/DUE FROM AND TRANSFERS – ORLEANS LEVEE DISTRICT

The following is a list by fund types the amounts due from other funds detailed by individual fund at fiscal year-end. (Types of funds include general fund, statutory dedicated funds, discrete component unit funds, etc.)

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

Flood Control General Fund due to's and from's Non Flood Division

Due from (to) Non Flood Division	\$ 7,189,355
Net due to Other Non Flood Funds	(184,564)
Due from (to) SLIP Fund	(86,177)
SLIP Fund due from General Fund	<u>86,177</u>

Net Flood Control due from (to) Non Flood Division **\$ 7,004,791**

Real Estate (Non-Flood Division)

Due to Flood Control General Fund	\$ (7,189,355)
Net due to Proprietary Funds	(6,541,780)
Net due from Government Funds	2,198,148
Orleans Marina due from South Shore Harbor	28,374
South Shore Harbor due to Orleans Marina	(28,374)
Proprietary Funds due from Real Estate Fund	6,541,780
Other Non Flood Funds due from Flood Division	<u>184,564</u>
Non Flood Government Funds due to Real Estate Fund	<u>(2,198,148)</u>

Net Real Estate due from (to) Flood Division **\$ (7,004,791)**

Real Estate Non Flood Division's due (to's) from's the Flood Control Division

Admin Fund due to Flood Division General Fund	(7,189,355)
Airport Fund due from Flood Control Fund	2,861,832
Orleans Marina due from Flood Division	775,804
South Shore Harbor due to Flood Division	(3,754,776)
LVCC due to Flood Division	(1,523)
General Improvement Fund due from Flood Control	<u>303,227</u>

Net amount due to Flood Control **\$ (7,004,791)**

Although the Real Estate Administrative Fund and the General Improvement Fund are shown among the governmental funds because they have public safety, recreation and roadway responsibilities, State Law dictates that they be managed apart from the Flood Divisions. This report follows in most respects the dictates of GASB No. 34 in separating governmental and business-type activities, but in certain cases such as this, the flood control and real estate functions are shown.

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

OPERATING TRANSFERS AMONG THE FUNDS OF THE DISTRICT

	Transfer In	Transfer Out
OLD Debt Service Fund		
SLIP Fund	\$ 1,895,101	\$ -
General Fund	946,207	-
OLD SLIP Fund		
OLD Debt Service Fund	-	1,895,101
General Fund		
OLD Debt Service Fund	-	946,207
OLD Real Estate Fund	-	1,400,000
OLD Real Estate Fund		
General Fund	1,400,000	-
Total	\$ 4,241,308	\$ 4,241,308

Other Transfers – In the current fiscal year, Legislation eliminated the requirement that ALD's taxes be first distributed to the Orleans Levee District and then to ALD after deduction of a pro rata share of debt service paid by OLD. This reflects the agreement and payments by ALD to OLD discussed in Note K above.

- ' During the current fiscal year, \$4.5 million was repaid by the United States Corp of Engineers to the National Aeronautics and Space Agency with the OLD being the flow through agency. The transfers in and transfer out are reported in the Other Use section of the combined statement of revenues, expenditures, and changes in fund balances – governmental funds.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at June 30, 2012 include judgments and legal claims payable of \$792,089.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – N/A

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46) – N/A

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES – N/A

DD. EMPLOYEE TERMINATION BENEFITS – N/A

EE. POLLUTION REMEDIATION OBLIGATIONS – N/A

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) – N/A

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 **Schedule 1**

	Budgeted Amounts		Actual Amounts	Variances with Final Budget (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 25,714,278	\$ 27,377,541	\$ 27,562,813	\$ 185,272
Intergovernmental	5,264,696	12,826,442	12,642,429	(184,013)
Charges for service				
Permits	23,000	21,000	22,916	1,916
Oil and gas royalties	686,482	246,423	650,385	403,962
Investment income	178,453	70,935	109,990	39,055
Cost sharing allocations from affiliates	470,700	470,700	467,249	(3,451)
Miscellaneous	1,075,378	1,063,678	976,386	(87,292)
Total revenues	<u>33,412,987</u>	<u>42,076,719</u>	<u>42,432,168</u>	<u>355,449</u>
Expenditures				
Flood and drainage protection				
Personnel services	15,625,791	16,270,443	15,677,277	593,166
Travel	82,973	68,800	113,647	(44,847)
Contractual services	3,229,850	3,163,665	2,669,741	493,924
Police services	2,389,692	987,680	1,061,512	(73,832)
Materials and supplies	1,512,185	1,807,755	1,720,406	87,349
Professional services	1,359,996	1,565,571	1,506,989	58,582
Other charges	1,657,048	1,026,791	293,986	732,805
Cost sharing allocations to affiliates	412,710	382,710	426,418	(43,708)
Machinery and equipment	6,052,700	1,815,302	1,696,204	119,098
Miscellaneous	696,627	766,313	399,700	366,613
Total expenditures	<u>33,019,572</u>	<u>27,855,030</u>	<u>25,565,880</u>	<u>2,289,150</u>
Excess of revenues over expenditures	393,415	14,221,689	16,866,288	2,644,599
Other financing sources (used)				
Sale of capital assets	-	100,262	100,262	-
Major maintenance	(320,000)	(9,190,000)	(9,282,810)	(92,810)
Debt services	(7,139,380)	(1,986,187)	(2,346,207)	(360,020)
Collection of Algiers' taxes	1,205,667	1,316,894	1,331,784	14,890
Transfer to Algiers	(1,190,174)	(616,894)	(1,331,784)	(714,890)
Transfer from (to) affiliates	-	700,000	1,400,000	700,000
Litigation proceeds (payments)	662,920	(1,979,944)	(2,806,180)	(826,236)
Total other financing sources (used)	<u>(6,780,967)</u>	<u>(11,655,869)</u>	<u>(12,934,935)</u>	<u>(1,279,066)</u>
Net changes in fund balances	<u>(6,387,552)</u>	<u>2,565,820</u>	<u>3,931,353</u>	<u>1,365,533</u>
Fund balance - Beginning of year	62,284,420	57,197,299	62,853,949	5,656,650
Fund balance - End of year	<u>\$ 55,896,868</u>	<u>\$ 59,763,119</u>	<u>\$ 66,785,302</u>	<u>\$ 7,022,183</u>

See accompanying independent auditors' report

**Annual Fiscal Report to the Office of the Governor,
Division of Administration, Office of Statewide
Reporting and Accounting Policy
as of June 30, 2012
and for the Year Then Ended**

SOUTHEAST FLOOD PROTECTION AUTHORITY – EAST
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Current assets	
Cash and cash equivalents	\$ 112,593,492
Investments	5,535,949
Receivables	1,092,734
Due from other governments	11,245,886
Inventory	504,276
Other assets	595,257
Restricted assets	2,844,462
Total current assets	<u>134,412,056</u>
Noncurrent assets	
Capital assets (net of depreciation)	
Land	36,103,167
Buildings	23,726,892
Improvements other than buildings	37,583,041
Movable property	3,271,455
Infrastructure	97,642,074
Construction in progress	24,891,205
Total noncurrent assets	<u>223,217,834</u>
Total assets	<u>\$ 357,629,890</u>
Liabilities	
Current liabilities	
Payables	4,930,507
Contracts payable	1,158,242
Deferred revenues	219,194
Accrued compensated absences	171,643
Accrued interest payable	1,184,902
Due to other agencies	2,330,545
Other liabilities	9,515
Short term notes payable	1,243,901
Judgment and legal claims payable	2,628,829
Total current liabilities	<u>13,877,278</u>
Noncurrent liabilities	
Deferred revenues	726,532
Accrued compensated absences	902,912
Notes payable, net of current portion	24,881,770
Judgment and legal claims payable - net of current portion	19,966,560
Post employment benefits payable	8,473,426
Total noncurrent liabilities	<u>54,951,200</u>
Total liabilities	<u>68,828,478</u>
Net assets invested in capital assets, net of related debt	223,217,834
Restricted for	
Capital outlay	667,742
Debt service	26,125,671
Other reservations	892,405
Unrestricted	<u>37,897,760</u>
Total net assets	<u>288,801,412</u>
Total liabilities and net assets	<u>\$ 357,629,890</u>

See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Operating revenues	
Charges for services	\$ 5,251,130
Miscellaneous	<u>1,599,722</u>
Total operating revenues	6,850,852
Operating expenses	
Cost of services	41,087,494
Depreciation	<u>8,711,969</u>
Total operating expenses	<u>49,799,463</u>
Operating income (loss)	(42,948,611)
Non-operating revenues (expenses)	
Taxes	42,610,123
Intergovernmental revenues	9,419,321
Investment earnings	166,257
Operating grants	2,804,983
Bond issuance costs	(18,544)
Other	<u>(165,853)</u>
Total non-operating revenues (expenses)	<u>54,816,287</u>
Income before contributions and transfers	11,867,676
Capital contributions from federal grants	17,172,035
Interest income (expense)	(1,223,466)
Insurance proceeds	5,086
Transfers out, Algiers	<u>(1,331,784)</u>
Total capital contributions	14,621,871
Change in net assets	<u>26,489,547</u>
Net assets - Beginning of year	<u>262,311,865</u>
Net assets - End of year	<u><u>\$ 288,801,412</u></u>

See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash flows from operating activities	
Cash received from customers	\$ 7,573,522
Cash payments to suppliers for goods and services	(23,949,233)
Cash payments to employees for services	(17,138,261)
Net cash used in operating activities	<u>(33,513,972)</u>
Cash flows from noncapital financing activities	
Receipts from taxpayers	43,196,188
Payments to Algiers Levee District	(1,331,784)
Litigation payments	(2,775,735)
Net cash provided by noncapital financing activities	<u>39,088,669</u>
Cash flows from capital and related financing activities	
Proceeds from federal and state grants	29,396,339
Payments of interest expense	(1,235,165)
Principal paid on bonds	(3,100,000)
Purchase of capital assets	(15,579,491)
Net loss from sale of capital assets	(191,665)
Insurance proceeds	5,086
Net cash provided by capital and related financing activities	<u>9,295,104</u>
Cash flows from investing activities	
Net purchase of investment securities	(27,578)
Interest income	166,257
Net cash provided by investing activities	<u>138,679</u>
Net increase in cash and cash equivalents	15,008,480
Cash and equivalents - Beginning of year	<u>100,429,474</u>
Cash and equivalents - End of year	<u>\$ 115,437,954</u>
Reconciliation to combined statement of net assets	
Cash and cash equivalents	\$ 112,593,492
Restricted cash	<u>2,844,462</u>
Total cash and cash equivalents - End of year	<u>\$ 115,437,954</u>
	(Continued)

See accompanying independent auditors' report and notes to combined financial statements

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (42,948,611)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	8,711,969
Net loss on sale of assets	(191,665)
Changes in assets and liabilities	
Receivables, net	722,670
Due from other governments	(4,977,543)
Inventories	(37,484)
Prepaid expenses and other assets	459,577
Accounts and other payables	1,858,271
Deferred revenue	356,883
Accrued compensated absences	128,445
Accrued interest payable	1,184,902
Post employment benefit liability	<u>1,218,614</u>
Net cash used in operating activities	<u><u>\$ (33,513,972)</u></u>

(Concluded)

See accompanying independent auditors' report and notes to combined financial statements

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE OF PER DIEM PAID TO AUTHORITY BOARD MEMBERS

The schedule of per diem payments to the Southeast Louisiana Flood Protection Authority – East Board of Commissioners members is presented in compliance with House Concurrent Resolution No 54 of the 1979 Session of the Louisiana Legislature. Authority members are paid per diem for each meeting they attend, as authorized by LA R S 38 330 1.

The amounts paid to Board members during the year are as follows:

Timothy P Doody	\$ 4,516
Stephen Estopinal	4,141
John M Barry	3,523
George Losonsky	1,537
David P Barnes, Jr	3,523
Thomas I Jackson	2,942
Louis E Wittie	4,722
Paul Kemp	3,053
Richard Leuttich, Jr	824
Ricardo Pineda	<u>2,118</u>
	<u>\$ 30,899</u>

Orleans Levee District – Non-Flood Protection Asset Management Authority Members were paid during the year as follows:

Romona Theresa Baudy	\$ 0
Stanley P Brien	0
Pearl M Cantrelle	0
Patrick D DeRouen, Esq	0
Carlton Dufrechou	0
Greg Ernst	0
Lambert J Hassinger, Jr	0
Wilma Heaton	0
William Hoffman	0
Robert E Smith Lupo	0
Darrel Saizan	0
Nyka Scott	0
Michael Stack	0
John B Trask	<u>0</u>
	<u>\$ 0</u>

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF STATE FUNDING
FOR THE YEAR ENDED JUNE 30, 2012**

Description of Funding		Amount
1	Cooperative Agreement / Loan Agreement relating to Go Zone Bond financing and assistance to subdivisions with debt service	
2		
		\$ 26,125,671
3		
4		
5		
6		
7		
8		
Total		\$ 26,125,671

See accompanying independent auditors' report

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY - EAST
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2012

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/2011	Redeemed (Issued)	Principal Outstanding 6/30/2012	Interest Rates	Interest Outstanding 6/30/2012
TOTAL		NONE	NONE	NONE	NONE		NONE

See accompanying independent auditors' report

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/2011	Redeemed (Issued)	Principal Outstanding 6/30/2012	Interest Rates	Interest Outstanding 6/30/2012
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TOTAL	NONE	NONE	NONE	NONE	NONE
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SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2012

Date of <u>Issue</u>	Original <u>Issue</u>	Principal Outstandin g <u>6/30/2011</u>	Redeemed (<u>Issued</u>)	Principal Outstanding <u>6/30/2012</u>	Interest <u>Rates</u>	Interest Outstanding <u>6/30/2012</u>
10/29/1996	\$2,795,000	\$ 1,020,000	\$(1,020,000)	\$ 0	2.54%	\$ 0
10/29/1996	<u>6,775,000</u>	<u>2,100,000</u>	<u>(2,100,000)</u>	<u>0</u>	2.54%	<u>0</u>
TOTAL	<u>\$ 9,570,000</u>	<u>\$3,120,000</u>	<u>\$(3,120,000)</u>	<u>\$ 0</u>		<u>\$ 0</u>

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
<u>2013</u>	_____	_____
<u>2014</u>	_____	_____
<u>2015</u>	_____	_____
<u>2016</u>	_____	_____
<u>2017</u>	_____	_____
<u>2018-2022</u>	_____	_____
<u>2023-2027</u>	_____	_____
<u>2028-2032</u>	_____	_____
<u>2033-2037</u>	_____	_____
<hr/>		
<u>TOTAL</u>	\$ NONE	\$ NONE

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF CAPITAL LEASE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
<u>2013</u>	_____	_____	_____	_____
<u>2014</u>	_____	_____	_____	_____
<u>2015</u>	_____	_____	_____	_____
<u>2016</u>	_____	_____	_____	_____
<u>2017</u>	_____	_____	_____	_____
<u>2018-2022</u>	_____	_____	_____	_____
<u>2023-2027</u>	_____	_____	_____	_____
<u>2028-2032</u>	_____	_____	_____	_____
<u>2033-2037</u>	_____	_____	_____	_____
TOTAL	NONE	NONE	NONE	NONE

See accompanying independent auditors' report

SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF NOTES PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2012

Fiscal Year	Principal	Interest
2013	\$ 1,203,801	\$ 1,183,373
2014	1,301,618	1,124,317
2015	1,362,013	1,062,520
2016	1,425,210	997,857
2017	1,491,340	930,193
2018-2022	8,561,164	3,520,876
2023-2027	10,740,425	1,291,056
TOTAL	\$ 26,125,671	\$ 10,110,192

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF BONDS PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
<u>2013</u>	<hr/>	<hr/>
<u>2014</u>	<hr/>	<hr/>
<u>2015</u>	<hr/>	<hr/>
<u>2016</u>	<hr/>	<hr/>
<u>2017</u>	<hr/>	<hr/>
<u>2018</u>	<hr/>	<hr/>
<u>2019</u>	<hr/>	<hr/>
<u>2020</u>	<hr/>	<hr/>
<u>2021</u>	<hr/>	<hr/>
<u>2022</u>	<hr/>	<hr/>
<u>2023</u>	<hr/>	<hr/>
<u>2024</u>	<hr/>	<hr/>
<u>2025</u>	<hr/>	<hr/>
<u>2026</u>	<hr/>	<hr/>
<u>2027</u>	<hr/>	<hr/>
<u>2028</u>	<hr/>	<hr/>
<u>2029</u>	<hr/>	<hr/>
<u>2030</u>	<hr/>	<hr/>
<u>2031</u>	<hr/>	<hr/>
<u>2032</u>	<hr/>	<hr/>
<u>2033</u>	<hr/>	<hr/>
TOTAL	NONE	NONE

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2012**

To assist the Office of Statewide Reporting and Accounting Policy (OSRAP) in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change. (The figures below are in thousands.)

	2012	2011	Difference	Percentage Change
1) Revenues	\$ 79,029	\$ 64,053	\$ 14,976	23.4%
Expenses	52,539	44,377	6,956	18.4%
2) Capital assets	223,218	216,159	7,059	3.3%
Long-term liabilities	54,951	58,706	(7,560)	-12.1%
Net assets	\$ 288,801	\$ 266,233	\$ 26,490	10.1%

- Assets of the Authority exceeded its liabilities as of fiscal year end June 30, 2012 by \$288.8 million compared with combined net assets a year earlier of \$266.2 million, a 10.1% and \$26.5 million increase.
- Of the \$26.5 million increase in net assets, significant contributors included income from the Orleans Levee District's Special Levee Improvement Fund due to a higher tax collection rates and delays in a major project start-up and lower debt service costs. The Orleans Levee District's General Fund also received higher than expected tax revenues and a one-time intergovernmental revenue related to the compromise and settlement agreement with Algiers Levee District. Both funds benefited from a \$2.6 million increase in ad valorem taxes collected, reflecting a better than usual collection ratio during the fiscal year. The business-type operations of the Orleans Levee District contributed \$10.3 million in net asset increases.

See accompanying independent auditors' report

**SOUTHEAST LOUISIANA FLOOD
PROTECTION AUTHORITY – EAST**

**Single Audit Report for the
Year Ended June 30, 2012**

Silva Gurtner & Abney

Certified Public Accountants & Consultants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Southeast Louisiana Flood Protection Authority – East
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Louisiana Flood Protection Authority – East (the Authority), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

September 20, 2012

Silva Gurtner & Abney

Certified Public Accountants & Consultants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners of
Southeast Louisiana Flood Protection Authority – East
New Orleans, Louisiana

Compliance

We have audited the compliance of the Southeast Louisiana Flood Protection Authority – East (the Authority) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the combined financial statements of the governmental activities, business-type activities, and major funds of the Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information of the Authority, the Authority's management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

September 20, 2012

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing & Urban Development:</u>			
Passed through State of Louisiana, Division of Administration, Office of Community Development – Disaster Recovery Unit Community Development Block Grants	14 228	677085 697572	\$ 347,260
<u>U.S. Department of Homeland Security:</u>			
Passed through State of Louisiana, Governor's Office of Homeland Security and Emergency Preparedness Disaster Grants – Public Assistance	97 036	FEMA-1603-DR- LA	23,433,274
<u>U.S. Department of Transportation:</u>			
Passed through State of Louisiana, Louisiana Highway Safety Commission Highway Planning and Construction	20 205	712346	2,500
<u>U.S. Department of Transportation:</u>			
Passed through State of Louisiana, Louisiana Highway Safety Commission Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20 608	712346	<u>2,330</u>
Total Expenditures of Federal Awards			<u>\$ 23,785,364</u>

See accompanying independent auditors' report and
notes to schedule of expenditures of federal awards

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

(1) GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal awards of Southeast Louisiana Flood Protection Authority – East (the Authority). The Authority's reporting entity is defined in Note A to the combined financial statements for the year ended June 30, 2012. All federal awards received from federal agencies are included on the Schedule.

(2) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's combined financial statements for the year ended June 30, 2012.

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I – SUMMARY OF AUDIT RESULTS

- 1 The auditors' report expresses an unqualified opinion on the combined financial statements of the Southeast Louisiana Flood Protection Authority – East
- 2 No material weakness in internal control relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- 3 No instances of noncompliance material to the financial statements of the Southeast Louisiana Flood Protection Authority – East are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards
- 4 No material weakness relating to the audit of the major federal programs is reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards
- 5 The auditors' report on compliance for the major federal programs for the Southeast Louisiana Flood Protection Authority – East expresses an unqualified opinion
- 6 There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133
- 7 The programs tested as major programs are

Disaster Grants – Public Assistance 97 036
- 8 The dollar threshold used to distinguish between Type A and Type B programs was \$713,561
- 9 The auditee did qualify as a low-risk auditee under Section 530 of OMB Circular A-133

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit

SECTION III – FINDINGS RELATED TO THE AUDIT OF MAJOR FEDERAL PROGRAMS

There were no findings related to the major federal programs

**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY – EAST
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit

SECTION III – FINDINGS RELATED TO THE AUDIT OF MAJOR FEDERAL PROGRAMS

There were no findings related to the major federal programs